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(Original Signature of Member)

115TH CONGRESS
1ST SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to reform the credit for
increasing research activities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. TIBERI introduced the following bill; which was referred to the Committee
on _____

A BILL

To amend the Internal Revenue Code of 1986 to reform
the credit for increasing research activities, and for other
purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Research and Experi-
5 mentation Advances Competitiveness at Home Act” or as
6 the “REACH Act”.

1 **SEC. 2. INCREASE OF ALTERNATIVE SIMPLIFIED CREDIT.**

2 (a) IN GENERAL.—Subparagraph (A) of section
3 41(c)(5) of the Internal Revenue Code of 1986 is amended
4 by striking “14 percent (12 percent in the case of taxable
5 years ending before January 1, 2009)” and inserting “20
6 percent”.

7 (b) CONFORMING AMENDMENT.—Clause (ii) of sec-
8 tion 41(c)(5)(B) of the Internal Revenue Code of 1986
9 is amended by striking “6 percent” and inserting “10 per-
10 cent”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 December 31, 2016.

14 **SEC. 3. ALLOCATION OF RESEARCH EXPENSES AMONG**
15 **BUSINESS COMPONENTS.**

16 (a) IN GENERAL.—Subparagraph (A) of section
17 41(d)(2) of the Internal Revenue Code of 1986 is amended
18 by inserting “, and may be applied using a method that
19 relies on reasonable estimation techniques in lieu of con-
20 temporaneous accounting to measure employee hours per
21 business component” before the period.

22 (b) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to taxable years beginning after
24 December 31, 2016.

1 **SEC. 4. INCLUSION OF QUALIFIED UPPER-LEVEL EMPLOY-**
2 **EES IN RESEARCH EXPENSE CALCULATION.**

3 (a) IN GENERAL.—Clause (ii) of section 41(b)(2)(B)
4 of the Internal Revenue Code of 1986 is amended by in-
5 serting “, without regard to the employee’s position or
6 management level” before the period.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to taxable years beginning after
9 December 31, 2016.

10 **SEC. 5. REPEAL OF EXCLUSION OF ADAPTIVE RESEARCH.**

11 (a) IN GENERAL.—Paragraph (4) of section 41(d) of
12 the Internal Revenue Code of 1986 is amended by striking
13 subparagraph (B) and by redesignating subparagraphs
14 (C), (D), (E), (F), (G), and (H) as subparagraphs (B),
15 (C), (D), (E), (F), and (G), respectively.

16 (b) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2016.

19 **SEC. 6. INCLUSION OF COST REDUCTION RESEARCH.**

20 (a) IN GENERAL.—Subparagraph (A) of section
21 41(d)(3) of the Internal Revenue Code of 1986 is amend-
22 ed—

23 (1) by striking “or” at the end of clause (ii),
24 (2) by striking the period at the end of clause
25 (iii) and inserting “, or”, and

1 (3) by adding at the end the following new
2 clause:

3 “(iv) reduction of costs associated
4 with—

5 “(I) a business component of the
6 taxpayer, or

7 “(II) research relating to a pur-
8 pose described in clause (i), (ii), or
9 (iii).”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2016.

13 **SEC. 7. INCLUSION OF OBSOLESCENCE MITIGATION.**

14 (a) IN GENERAL.—Clause (iv) of section 41(d)(3)(A)
15 of the Internal Revenue Code of 1986, as added by section
16 5, is amended by inserting “or obsolescence mitigation”
17 after “reduction of costs”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 December 31, 2016.

21 **SEC. 8. ELECTION OF REDUCED CREDIT MAY BE MADE ON**
22 **AMENDED RETURN.**

23 (a) IN GENERAL.—Subparagraph (C) of section
24 280C(c)(3) of the Internal Revenue Code of 1986 is
25 amended to read as follows:

1 “(C) ELECTION.—An election under this
2 paragraph shall made in such manner as the
3 Secretary may prescribe and, once made with
4 respect to a taxable year, shall be irrevocable.
5 Such election may be made on the return of tax
6 for the taxable year to which it applies or on an
7 amended return.”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to amended returns which are per-
10 mitted to be filed under the applicable provisions of the
11 Internal Revenue Code of 1986 after the date of the enact-
12 ment of this Act.